

Message Text

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E.O. 11652: GDS

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SUBJ: BAUXITE COMMISSION AND GOVERNMENT BAUXITE POLICIES

REF: KINGSTON 4369 12/28/73, KINGSTON 4349 12/22/73

1. CHARGE DISCUSSED THIS SUBJECT WITH G. ARTHUR BROWN, PRESIDENT OF THE BANK OF JAMAICA AND MEMBER OF BAUXITE COMMISSION, AND ERIC BELL, MINISTER OF COMMUNICATIONS AND TRANSPORTATION AND ALSO A MEMBER OF THE ECONOMIC COUNCIL, TODAY. BROWN CONFIRMED THAT THE THRUST OF THE BAUXITE COMMISSION'S REPORT IS CONCENTRATED ON TWO NOW FAMILIAR AREAS: THE QUESTION OF THE GOVERNMENT'S TAKE FROM THE INDUSTRY; AND THE PROBLEM OF BAUXITE RESERVES AND LANDS; ON THE FINANCIAL ISSUE, BROWN REPEATED A NUMBER OF THE ARGUMENTS WE HAVE ALREADY HEARD, BUT CONCENTRATED ON THE DIFFICULTY OF THE PRESENT TAX ARRANGEMENTS SAYING THAT THE GOJ HAD GOTTEN NO REVENUE AT ALL FROM ALPART AND VERY LITTLE FROM REYNOLDS. HE ALSO SPOKE OF THE HIGH-WORLD MARKET PRICE FOR ALUMINUM AND THE QUESTIONABLE PROCEDURES FOR PRICING BAUXITE AND ALUMINA AT THE TIME OF EXPORT FROM JAMAICA. HE INDICATED THAT AT A MINIMUM JAMAICA WANTED A HIGHER TAX REFERENCE PRICE FOR BOTH BAUXITE AND ALUMINA. HE SAID THAT THE US AND JAMAICA ALREADY HAD A TAX PROBLEM WITH RESPECT TO THE BAUXITE/ALUMINA INDUSTRY AND WOULD CONTINUE TO HAVE ONE WHETHER OR NOT THE GOJ SOUGHT TO RE-NEGOTIATE THE CONTRACTS WITH THE COMPANIES, BUT THAT THIS WAS SEPARATE FROM JAMAICA'S BASIC PROBLEM - GETTING ENOUGH. HE SAID HE THOUGHT THE COMPANIES WOULD BE FAIRLY REASONABLE *N NEGOTIATING A SETTLEMENT OF THE FINANCIAL MATTER.

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2. ON THE LANDS' ISSUE, BROWN EMPHASIZED THAT THERE WAS A LACK OF CONSENSUS BOTH WITHIN THE COMMISSION AND WITHIN THE GOVT AS A WHOLE ON THE PROPER COURSE TO TAKE. HE REFUSED TO BE MORE SPECIFIC, BUT SAID GIVEN THE ABSENCE OF A CONSENSUS, HE THOUGHT IT

LIKELY THAT THE BAUXITE COMMISSION REPORT WOULD PRESENT TWO OPTIONS WHICH MIGHT BE DESCRIBED AS A MODERATE COURSE AND A RADICAL COURSE. (THESE MIGHT BE IDENTICAL TO THE TWO POSSIBLE OPTIONS MENTIONED BY ALLAN ISAACS IN HIS OCT 10 CONVERSATION WITH THE CHARGE). IN ANY EVENT, BROWN CONCLUDED, THE GOVT WOULD NOT BE CONTENT WITH LEAVING COMPANIES SITTING ON RESERVES THEY HAD NO INTENTION OF MINING IN THE FORESEABLE FUTURE.

3. BROWN ASKED IF WE HAD ANY ESTIMATE OF THE LIKELY DECLINE IN ALUMINUM PRODUCTION IN THE US DUE EITHER TO FUEL RATIONING OR TO GENERALIZED RECESSION. CHARGE REPLIED THAT HE HAD REQUESTED THIS INFORMATION FROM THE DEPT, BUT HAD NOT YET RECEIVED A REPLY. (ANY INFORMATION THE DEPT CAN SUPPLY WOULD BE MOST HELPFUL - THE GLOOMIER THE BETTER SO LONG AS IT CAN BE SUPPORTED BY FIGURES, SINCE BROWN SEEMS TO BELIEVE THE BAUXITE INDUSTRY HERE WOULD BE LESS VULNERABLE TO GOJ PRESSURE THE MORE THE ALUMINUM INDUSTRY IS IN TROUBLE IN THE US, AND VICE VERSA.)

4. ERIC BELL HAD LITTLE TO ADD TO OUR UNDERSTANDING OF THE BAUXITE COMMISSION REPORT OR OF THE GOJ'S ASPIRATIONS WITH THE BAUXITE INDUSTRY. HOWEVER, HE SAID WE SHOULD UNDERSTAND THE PRESSURE THE PNP GOVT WAS UNDER TO TAKE SOME KIND OF DECISIVE ACTION. HE POINTED OUT THE PNP WAS A LEFT OF CENTER PARTY (THOUGH NEITHER MARXIST OR RADICAL). THOUGH HE COULD NOT SPEAK DIRECTLY TO THE BAUXITE PROBLEM, HE SAID HE COULD SPEAK PERSONALLY OF THE PRESSURE TO NATIONALIZE THE KINGSTON BUS COMPANY (85 PER CENT BRITISH OWNERSHIP) DUE TO POOR SERVICE, HIGH COSTS AND SO ON. HE ACKNOWLEDGED THAT THOSE WHO URGED THIS ACTION ON HIM DID NOT UNDERSTAND THE ECONOMICS OF THE SITUATION, OR THAT THE ECONOMICS WOULD BE NO DIFFERENT WHETHER THE BUS COMPANY WERE IN PRIVATE OR GOVT HANDS, BUT THAT THIS DID NOT LESSEN THE PRESSURE. MOREOVER, IN A WORLD WHERE THE ARABS, THE PERUVIANS, THE VENEZUELAN, AND THE ECUADORIANS SEEM TO BE DOING AS THEY WISH AND GETTING AWAY WITH IT, IT WAS EVEN HARDER TO EXPLAIN WHY JAMAICA HUNG BACK. HE SAID THAT HE PERSONALLY THOUGHT IT WOULD BE A DISASTER TO NATIONALIZE THE BAUXITE INDUSTRY, JUST AS HE
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THOUGHT IT WOULD BE A DISASTER TO NATIONALIZE THE BUS COMPANY, BUT IRONICALLY, NATIONAL LEADERS WERE NOT ALWAYS ABLE TO LEAD: SOMETIMES THEY HAD TO FOLLOW.

5. COMMENT: MORE OF THE SAME. BELL'S GLOOMY OUTLOOK SHOULD NOT BE TAKEN TOO SERIOUSLY SINCE HE HAS BEEN UNDER GREAT PRESSURE RECENTLY AS A RESULT OF THE ENERGY CRISIS. ON THE OTHER HAND, IT IS AN INTERESTING INSIGHT INTO THE VIEWS OF ONE OF THE YOUNGER AND MORE FLEXIBLE MEMBERS OF THE CABINET AND ECONOMIC TEAM.
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